

EXHIBIT 7

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INTERNAL EMAIL

From: Don

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Re: Activision Blizzard deal for Dec 19 BC review - cross PA input

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Comment [1]: Without this deal, ABK claims they will:

- Launch their own mobile distribution platform (partnering with another "major mobile company")
- Double down with Amazon/Twitch (or MSFT) for Cloud/Esports
- We believe the Amazon offer to be: \$200M Cloud commit over 3 years + \$100M Esports licensing deal with Twitch over 2 years
- Facebook apparently made a \$60M/yr offer, but the team owners (eSports) were concerned about the potential success of livestreaming on FB
- Pull away from Stadia / Ads

We would like to bring a deal to BC approval for Activision King Blizzard (ABK), one of the most important game publishers in the world, and already a key partner across YT and Play (and hopefully Cloud). We wanted to share some numbers with you ahead of time, as well as go through the strategic rationale. This is our first deal where we do not have a single PA signed up to fund the entire deal, and we need to figure out how to handle this scenario.

I think we need to do this deal - too important for Play and Cloud to let it go - but this is worth debate.

At its core, this deal is about a large Cloud deal as well as solidifying our Play relationship with ABK. Recently Play has had a rocky relationship with gaming companies that have Tencent as an investor (EPIC is publicly challenging our ability to charge for access to Play, and Supercell has refused to sign up to Project Hug (as has ABK to date)). This deal would help solidify our Play relationship, ABK's commitment to our platform, cement a premier top gaming partner on Cloud, increase our gaming ads revenue, and bring an important source of gaming content to YouTube.

Our proposal is largely consistent with Project Hug, which has been approved by BC. There are however some components that require investment beyond existing BC Hug approvals.

Draft BC deck for Dec 18/19 review is here.
Below is a summary of the deal.

**Exhibit
PX1476**

Rationale: In this very turbulent time, this deal would build the first foundational partnership with a Tencent portfolio company, and one of the most important global gaming publishers.

What Google gets:

- Continued Play partnership for ABK titles **at current rev share**
- Standard Hug developer obligations (sim-ship, title parity, quality)
- \$230M Cloud commitment over 3-4 years (TK has approved)
- \$345M in ads commitment over 3 years
- Exclusive Esports distribution license for YouTube
- 1 minor game on Stadia (85/15 effective revshare but deal terms TBC)

What Google gives (for each of 3 years):

- **GCP credits** equal to 2% of Play consumer spend (no cap)
- **UAC Matching credits:** \$1 for every \$3 ABK spends in UAC, capped at \$35M/year.
- **Co-marketing funds:** \$1 for every \$3 of ABK marketing spend, capped at \$20M/year
- **Esports Licensing:** \$45M for exclusive Esports distribution license for YouTube

Based on a projected run rate of \$1B/year in Play consumer spend, the estimated total investment from Google would be:

	Year 1	Year 2	Year 3	Total
GCP Credits				60
UAC Matching Credits		35	35	105
Co-Marketing		20	20	60
Esports Licensing	40	45	50	135
Total	115	120	125	360

NOTES:

- All items in have already been approved by Project Hug.
- Items in **red** require BC approval for total funding (and P&L allocation).
 - BC has only approved one year for UAC Matching Credits and Co-marketing, which we are looking to extend to a 3 year deal to more closely mirror their cloud commitment.
 - ESports licensing was not part of Project Hug.
 - With proposed \$230M Cloud commit, Cloud is willing to fund \$85M.
 - YT can fund about \$7-30M (TBD at YPX tomorrow 12/18).
 - Remaining gap needed to close deal = **\$20-43M**

To summarize BC asks:

- Can we extend the UAC Matching Credits and Co-marketing components of the Hug program for 2 additional years?
- Can we pay the \$135M total Esports Licensing fees?

Next Steps & Requests

- YTX review on Dec 18
 - **REQUEST:** Post YTX review, Susan to call Bobby
- BC review on Dec 19
 - **REQUEST:** Post BC review, Sundar to call Bobby on Thursday Dec 19th with our final (YTX/BC approved) offer

Below please find a detailed cross-PA point of views on why we should do this deal with ABK:

Comment [2]: +harrison@google.com for review

YouTube (rwyatt@):

- Live Gaming makes up 33% of all Live watchtime on YouTube, and Live Streaming is an important product to YouTube. ABK has two offers for media rights, one from FB and one from Twitch. We believe they have offers ranging from \$35M-\$50M/year.
- Twitch is 2.5x bigger than Live Gaming on YouTube, and they monetize Live Gaming better; Twitch's RPH is ~4.6x better than Live Gaming on YouTube. A significant reason behind this is that we lack the comparable ad products needed to properly monetize expensive live (e)sports content, such as: DAI coverage, interest based ads, demand diversity, and ad podding.
 - If we had the right ad products in place by Q1 2021, we believe we could generate \$27.8M over 3-years, if not, we'd be closer to \$3.3M over 3-years.
- Overwatch UGC is ranked #22 on YouTube Gaming, and ABK's IP only contributes 1.5% of the total Gaming watchtime on YouTube. In addition to that, their Esports League has ~14% YoY growth. Despite these facts, ABK's Esports Leagues are valuable assets in the space due to their viewership and production quality, and they will help YouTube to further accelerate our efforts in the live streaming industry where we are still behind Twitch.
 - They have pushed us on "why don't we value the media rights", and we've emphasized that the disconnect is in how we currently monetize live gaming, and that we have to be thoughtful in the market precedent we set, but that we're enthusiastic in trying to make it all work.
- We are reviewing at YTX (10:15AM on 12/18) two options for approval:
 - Option 1 (Status Quo ad tech) would allot \$7.5M in total to the media rights
 - Option 2 (Ad Tech improvements) would allot \$27.8M in total to the media rights

Play (kochikar@):

- ABK is among the 22 developers short listed for the BC approved Games Velocity Program (aka Project Hug). They account of 2.8% of Play revenues. This deal extends

Play margin protection for three years instead of one with the original Hug deal, and ensures that ABK meets the three Hug goals -

- Play consideration - ABK will commit to sim shipping and maintaining parity for all titles during the term of the deal.
- Driving xGoogle upsell - ABK are committing to a \$230M GCP commit driven by the \$60M in Play funded GCP credits over 3 years.
- Improve developer sentiment - ABK is also an influential player within the Tencent portfolio, and gaining strategic alignment with them would be helpful as we work to get the broader Tencent portfolio to sign up for Project Hug/GVP.

Cloud (sunilrayan@):

- The GCP commit is \$230M over 4 years. We believe the consumption will be much higher as ABKs budget (confirmed by CIO) is closer to \$1B over 4 years.
- ABK Global CIO, our key cloud executive (Jacques Erasmus), comes from King. We have a very strong relationship and he is inclined to work with GCP and publicly talk about GCP. King has already agreed to a public use case on their GCP usage.
- AWS is currently their preferred cloud provider. Having the top 3 largest game publisher speak highly of their GCP implementation will help grow our cloud business in games.
- Amazon is positioning AWS + Twitch as their core value proposition and favorable commercials.

Ads (aangeledes@):

- Google/YouTube is a must buy for ABK due to 100% gamer reach across our platforms and overall performance in the category. Google provides the richest insights and measurement capabilities to drive customer business objectives.
- King has had an upfront commitment/DVIP with Google over the past two years. Acti-Blizz has not committed to a DVIP due to the volatility of their business.
- ABK still relies on TV, Facebook, Twitch and Amazon. A longer term deal with Google would help improve their MAU/LTV performance, and secure solid minimum media investment for Google.
- The deals team will not approve a three year DVIP. With that said, ABK's offer of three years, \$115M per year minimum spend (25% growth across total ABK and 50% growth for Act-Blizz in Year 1) would secure strong base spend. We can reserve the right to morph this into a DVIP to drive larger growth in Year 2 with a projected robust slate from Blizzard mobile titles in 2021.

Stadia (shanna@):

- Importance of ABK to Stadia - very high
 - ABK is a critical partner for Stadia and our platform can only be successful if we secure ABK's top titles.
- Stadia is not really within the scope of this deal
 - Problematically, ABK won't engage on any level of discussion until the xGoogle

- deal is signed.
- We've structured a minimum-viable Stadia element to:
 - 1) ensure Stadia reputation is not damaged by closing a deal with #1 Game Publisher without Stadia and
 - 2) to do so in a way that is palatable to ABK by choosing a low-dev-effort and a low profile game.
- Deal terms: \$5M recoupable Minimum Guarantee AND an effective 85/15 revshare, to bring the sim-ship version of Tony Hawk's Pro Skater (Confidential) to Stadia in Fall 2020.

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Metadata

All Custodians	Donald Harrison;Lawrence Koh;Michael Marchak;Purnima Kochikar	SEMANTIC
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